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RECEIVED  
FEB - 4 2000  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Gina Harrison  
Senior Counsel and Director  
Washington Office

February 4, 2000

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

EX PARTE OR LATE FILED

Re: **Ex Parte Notice:** CC Docket No. 80-286, In the Matter Of  
Jurisdictional Separations Reform and Referral to the Federal-  
State Joint Board

Dear Ms. Salas:

Yesterday, NECA representatives Ken Levy, Vice President & General Counsel, Jeff Dupree, Director of Separations & Access Costs and I, accompanied by Marie Guillory, Vice President of Legal and Industry Affairs (NTCA), David Cohen, Vice President, Small Company Affairs (USTA), and Margot Humphrey, counsel to NRTA, met to discuss the material summarized in the attachment with Dorothy Attwood, Legal Advisor to Chairman Kennard, Jordan Goldstein, Legal Advisor to Commissioner Ness, Kyle Dixon, Legal Advisor to Commissioner Powell, and Carol Matthey, Irene Flannery and Sharon Webber of the Common Carrier Bureau.

In accordance with Commission rules, I am submitting two copies of this notice. Kindly stamp the additional return copy provided. Please direct any questions to me.

Sincerely,

Gina Harrison  
Attachment

Cc: Dorothy Attwood  
Kyle Dixon  
Irene Flannery  
Jordan Goldstein  
Carol Matthey  
Sharon Webber

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## **SEPARATIONS FREEZE PROPOSAL FOR NON-PRICE CAP COMPANIES**

- Increasing levels of Internet traffic, changes in network technologies, and numerous other factors, are raising fundamental separations and jurisdictional issues
- Internet traffic impacts alone provide a compelling case for an interim freeze of separations factors:
  - ⇒ Based on NECA Traffic Sensitive pool cost company data, approximately 18% of 1998 local/intrastate dial equipment minutes (DEM) represent Internet traffic
  - ⇒ This results in a \$170 million misallocation of costs to the intrastate jurisdiction
- An interim separations freeze based on a representative historical period must be put into effect immediately
- Separations freeze must stop the unjustified cost shifts at a point before they have done serious damage to the reliability of the usage factors
- **INDUSTRY PROPOSAL FOR NON-PRICE CAP COMPANIES:**
  - ⇒ Immediate interim separations factors freeze based on the 1995-1997 three-year average period
  - ⇒ Optional freeze of categorization relationships based on the same three-year average period
- Factor freeze results in minimal cost shifts. Comparing a factor freeze based on three-year average of 1995 – 1997 to base year 1998:
  - ⇒ Approximately 69% of NECA cost company study areas fall within a \$2 per line per month jurisdictional cost shift
- Factor freeze and optional freeze of categorization relationships should be applied prospectively

# SEPARATIONS FREEZE PROPOSAL FOR NON-PRICE CAP COMPANIES

## Impact on NECA Cost Company Study Areas

DIFFERENCE PER LOOP PER MONTH		1995, 1996 & 1997 FACTOR FREEZE COMPARED TO BASE 1998		1995, 1996 & 1997 FACTOR & CATEGORIZATION FREEZE COMPARED TO BASE 1998	
		# OF STUDY AREAS	% OF TOTAL STUDY AREAS	# OF STUDY AREAS	% OF TOTAL STUDY AREAS
Shift to Interstate	\$5+	23	3.9%	33	5.6%
	\$4 to \$5	11	1.9%	15	2.5%
	\$3 to \$4	13	2.2%	29	4.9%
	\$2 to \$3	18	3.0%	64	10.8%
	\$1 to \$2	39	6.6%	64	10.8%
	\$0 to \$1	104	17.5%	113	19.0%
Shift to State	\$-1 to \$-0	175	29.5%	122	20.5%
	\$-2 to \$-1	93	15.7%	53	8.9%
	\$-3 to \$-2	50	8.4%	41	6.9%
	\$-4 to \$-3	31	5.2%	24	4.0%
	\$-5 to \$-4	12	2.0%	13	2.2%
	Below \$-5	25	4.2%	23	3.9%
TOTAL		594	100.0%	594	100.0%
Shift to State Wtg. Avg Per Line/Mo		\$0.46		\$0.06	
Simple Avg Per Line/Mo		\$0.26		(\$0.46)	

**Note:**

Dollar impact of categorization relationship freeze reflects interstate access only, not USF support.